

Chapter 2

The character of organised crime groups in Australia

Introduction

2.1 This chapter outlines the character of organised crime groups operating in Australia, and explores the trends in their practices and methods.

Defining organised crime¹

2.2 Organised crime in Australia has changed since the 1970s.² The Australian Crime Commission (ACC) notes that the fundamental characteristics of serious and organised crime are that it involves substantial planning and organisation and the use of sophisticated methods and techniques, and is primarily motivated by financial gain. The nature of the criminal activity undertaken by organised criminal groups is fluid, responding to a range of influences including market dynamics, law enforcement focus and emerging opportunities.³

2.3 A profit motive is at the heart of serious and organised crime.⁴ To make money, organised criminal groups usually trade in commodities which will provide maximum profit while posing the lowest risk of detection and prosecution. Organised crime groups will adapt to legislative change and will exploit new opportunities.⁵

2.4 Mr Frank Costigan QC, appearing in a private capacity, noted that the 'major object of organised crime...in the widest possible definition...is to acquire cash and hide it from the authorities'.⁶ Detective Superintendent Stephan Gollschewski, Queensland Police Service, added that organised crime have 'distribution networks that they can...exploit to be able to meet market demand'.⁷

2.5 Mr Christopher Keen, Director, Intelligence, Queensland Crime and Misconduct Commission, observed that the profit motive has led organised crime groups and networks towards diversification of their activities.⁸ Crime groups

1 For the purposes of this inquiry the relevant definition of organised crime is contained in section 4 of the *Australian Crime Commission Act 2002*, which is set out in appendix 5.

2 Australian Institute of Criminology, 'The worldwide fight against transnational organised crime', *Technical and Background Paper*, no.9, 2004, p. 6.

3 Australian Crime Commission, *Submission 17*, p. 4.

4 The committee notes that paedophilia is the exception. Paedophilia is discussed in more detail in chapter 3.

5 Attorney-General's Department, *Submission 21*, p. 3.

6 *Committee Hansard*, 1 May 2007, p. 35.

7 *Committee Hansard*, 7 June 2007, p. 24

8 *Committee Hansard*, 7 June 2007, p.55.

therefore no longer have a loyalty to a particular type of activity—for example, car rebirthing—but will move to enterprises which they see as profitable.

2.6 This assessment was endorsed by Assistant Commissioner Tony Harrison, Crime Service, South Australia Police, who noted that for organised crime it is:

...a matter of taking whatever opportunity presents itself at any given time. There do not seem to be the loyalties within any particular industry area or in relation to a commodity...⁹

Membership and structure of organised crime groups

2.7 The ACC submission notes that organised crime groups in Australia continue to evolve from being communally based, strongly hierarchical, and easily defined by ethnicity or ethos, towards more flexible, loosely associated and entrepreneurial networks. These networks bring together groups and individuals with differing roles and levels of involvement in the criminal activity, and generally involve individuals of different ethnicities, skill sets and criminal interests. Some groups form for short periods for specific activities, while others are more enduring.¹⁰

2.8 The Australian Institute of Criminology (AIC) argues that organised crime in Australia today is perpetrated by a combination of:

- local criminal milieux that are typically loosely structured groups involved in a variety of illicit enterprises;
- networks or secret societies based in other countries that have local networks in Australia and are characterised by shared ethnic backgrounds; and
- other criminal groups such as paedophile networks and outlaw motorcycle gangs.¹¹

Entrepreneurial networks

2.9 Much of the evidence received by the committee emphasised the dynamic and shifting membership and structures of organised crime groups, as opposed to the traditional or stereotypical notion that they are exclusive hierarchies.¹²

2.10 The evolution of these groups is closely connected with the profit-centred purpose of organised crime. Organised crime is increasing in sophistication and, as

9 *Committee Hansard*, 6 July 2007, p. 15.

10 *Submission 17*, p. 5.

11 Australian Institute of Criminology, 'The worldwide fight against transnational organised crime', *Technical and Background Paper*, no.9, 2004, p. 6.

12 Frank Costigan QC, Private Capacity, *Committee Hansard*, 1 May 2007, p. 42.

Professor Adam Sutton, appearing in a private capacity, observed, 'will exploit opportunities and any kinds of niches'.¹³

2.11 The South Australia Police,¹⁴ the NSW Police Force¹⁵ and the Queensland Crime and Misconduct Commission¹⁶ all noted that traditional crime group allegiances are giving way to entrepreneurial networks formed around profit opportunities. Rather than organising hierarchically, they 'consist of many smaller interdependent and adaptable enterprises willing to share methodologies and expertise'.¹⁷ Further, they are 'willing to trade in different commodities...work across regions [and] are quite willing to work with a business partner who may have been a competitor last week'.¹⁸ These groups now tend to seek 'some advantage for their various business enterprises' over notions of brotherhood, loyalty or honour.¹⁹

2.12 Professor Rod Broadhurst, appearing before the committee in a private capacity, made a similar observation and gave the example of the Asian triad gangs, which now display sophisticated and recognisably modern or commercial modes of organisation and operation:

...amongst triads...the traditional role of the chair was to actually order things to happen. Now they act as negotiators. They become the umpire, and they charge fees to resolve problems between gangs, between project groups, whatever you want to call them.²⁰

2.13 These changing modes of interaction and operation present significant challenges to police. A 2005 report provided to the committee by the Corruption and Crime Commission of Western Australia observes that groups which previously operated independently now 'increasingly work collaboratively, and across state borders, not unlike legitimate businesses'.²¹ This has significant ramifications in terms of the level of threat and complexity that organised crime now represents.

13 *Committee Hansard*, 1 May 2007, p. 10.

14 *Submission 7*, p. 4.

15 *Submission 20*, p. 4.

16 Mr Christopher Keen, Director, Intelligence, Queensland Crime and Misconduct Commission, *Committee Hansard*, 7 June 2007, p. 44.

17 NSW Police Force, *Submission 20*, p. 4.

18 Mr Christopher Keen, Director, Intelligence, Queensland Crime and Misconduct Commission, *Committee Hansard*, 7 June 2007, p. 44.

19 Mr Christopher Keen, Director, Intelligence, Queensland Crime and Misconduct Commission, *Committee Hansard*, 7 June 2007, p. 44.

20 *Committee Hansard*, 7 June 2007, p. 66.

21 Corruption and Crime Commission of Western Australia, *Report to the Joint Standing Committee on the Corruption and Crime Commission with regard to the commission's organised crime function and contempt powers*, December 2005, p. 2.

2.14 Further challenges are a result of the increasing sophistication of modern organised crime groups and their ability to 'respond to legislative change by adapting their methodologies'.²² The ACC submission notes:

Higher threat organised criminal groups are typically flexible, entrepreneurial and resistant to law enforcement intervention. They are innovative and able to identify and enter new markets and create opportunities for profit from illegal activity. The sectors or goods targeted by organised crime are often areas where little criminal activity has been detected, or where regulations or criminal penalties are yet to be fully established or currently provide insufficient deterrent.²³

2.15 Certain consequences flow from the characteristics of organised crime groups in present-day Australia, as identified in the preceding discussion. Although traditionally recognised organised crime such as ethnic and club based groups continue to persist in Australia, their adaptable and opportunistic pursuit of profit means that their membership and identity is neither fixed nor predictable. Equally, it should be recognised that the dominance or notoriety of a particular group at any given point in time is almost certainly temporary, and must not be allowed to obscure the activities of other organised crime groups. While the inquiry identified a number of organised crime groups operating in Australia today, the committee urges caution in taking the following discussion of organised crime groups in Australia as either definitive or prescriptive.

Outlaw motorcycle gangs

2.16 The committee's inquiry confirmed an Australia-wide growth in the membership and illegitimate activities of outlaw motorcycle gangs (OMCGs). Both Detective Chief Superintendent Ross Barnett, Queensland Police Service,²⁴ and Assistant Commissioner Tony Harrison, Crime Service, South Australia Police,²⁵ told the committee of increased OMCG membership and participation in criminal activity in their respective states, and about the significant threat to community safety these gangs pose.

2.17 The quasi-military modes of organisation and discipline of OMCGs make them particularly difficult to deal with from a law enforcement perspective. Detective Superintendent Kim Porter, Divisional Superintendent, Organised Crime Division, Western Australia Police, explained that OMCGs emerged after the Vietnam War and were formed by people seeking a similar camaraderie to what they experienced in the military. He concluded: 'In fact...[OMCGs] are frighteningly like the police, except their motives are different. They are very strictly controlled and disciplined.'²⁶

22 NSW Police Force, *Submission 20*, p. 3.

23 Australian Crime Commission, *Submission 17*, p. 5.

24 *Committee Hansard*, 7 June 2007, p. 2.

25 *Committee Hansard*, 6 July 2007, p. 15.

26 *Committee Hansard*, 30 April 2007, p. 12.

Expansion of outlaw motorcycle gangs

2.18 Assistant Commissioner Graeme Morgan, Commander, State Crime Command, NSW Police Force, told the committee that OMCGs have broadened from being motorcycle club members that are involved in crime to being leaders in syndicates that are national and international.²⁷

2.19 This shift in the organising principles of OMCGs has seen an expansion of their criminal associations and 'all serious organised crime...bar none...have a linkage with outlaw motorcycle gangs'.²⁸ OMCGs continue to have significant connections with more traditional crime groups and seek to establish opportunistic connections to enhance their reputations and ability to perpetrate illegal activities:

I think the outlaw motorcycle gangs see it as improving their status within the serious organised crime world...From the perspective of the more traditional serious organised crime figures, they can call upon the outlaw motorcycle gangs for...debt collection, extortion, blackmail, intimidation and violence. There is no doubt that it is a two-way process and that the outlaw motorcycle gangs are infiltrating more widely into serious organised crime, but also the more traditional serious organised crime figures want to be seen and want to have linkages with outlaw motorcycle gangs.²⁹

2.20 The committee also heard evidence that expansion of OMCG activities into businesses such as security companies is occurring in Western Australia.³⁰

Australian Crime Commission: focus on OMCGs

2.21 The committee received evidence of continuing efforts to establish a better understanding of OMCGs in Australia. The ACC has established an outlaw motorcycle group task force. This intelligence and investigative task force is working closely with jurisdictions, and is able to use its coercive powers to support its operations.

Ministerial Council for Police and Emergency Management—Police

2.22 The committee was also informed that the Ministerial Council for Police and Emergency Management—Police (MCPEMP) has recently supported the establishment of a working party to assess the current measures in place to address OMCGs and, crucially, to develop recommendations on proposals to enhance police

27 *Committee Hansard*, 7 June 2007, p. 16.

28 Assistant Commissioner Tony Harrison, Crime Service, South Australia Police, *Committee Hansard*, 6 July 2007, p. 16.

29 Assistant Commissioner Tony Harrison, Crime Service, South Australia Police, *Committee Hansard*, 6 July 2007, p. 16.

30 Assistant Commissioner Wayne Gregson, Portfolio Head, Specialist Crime Portfolio, Western Australia Police, *Committee Hansard*, 30 April 2007, p. 11.

and legislative responses.³¹ The committee considers that such assessments at this level will contribute to the process of assessing and designing effective laws, and commends this recent undertaking.

Ethnic organised crime groups

2.23 The committee was told that in recent years there has been an increase in ethnic based groups involved in serious organised crime. The challenges for law enforcement of ethnic organised crime groups include language, culture and community barriers to intelligence gathering, and particularly in infiltration and communication.³²

Middle Eastern organised crime groups

2.24 The existence of Middle Eastern Organised Crime (MEOC) groups was noted in NSW³³ and Western Australia,³⁴ and they are seeking to obtain a foothold in Queensland.³⁵ Both NSW and Queensland noted an increasing involvement between Middle Eastern groups and OMCGs. The major criminal activities of these groups include drug trafficking, property crime and vehicle rebirthing.

2.25 The committee notes that law enforcement for these groups presents significant challenges. Detective Superintendent Porter said of Middle Eastern groups in Western Australia:

We have some very strong Middle Eastern and other ethnic groups who...come from backgrounds where the police do not ask you questions; they shoot you. We do not have that ability and, as a consequence, they look at us, laugh and say: 'We know you can't do anything to us. We're not going to talk to you.'³⁶

Asian organised crime groups

2.26 Historically and stereotypically, Asian organised crime groups have been associated with extortion and protection rackets largely within their own communities. Evidence received by the committee suggests that these groups are involved in a broad range of activities including the manufacture, importation and trafficking of

31 Mr Alastair Milroy, Chief Executive Officer, Australian Crime Commission, *Committee Hansard*, 6 July 2007, p. 29.

32 Assistant Commissioner Tony Harrison, Crime Service, South Australia Police, *Committee Hansard*, 6 July 2007, p. 16.

33 Commissioner Ken Moroney, NSW Police Force, *Committee Hansard*, 8 June 2007, p. 2.

34 Detective Superintendent Kim Porter, Divisional Superintendent, Western Australia Police, *Committee Hansard*, 30 April 2007, p. 18.

35 Queensland Crime and Misconduct Commission, *Submission 8*, p. 9.

36 *Committee Hansard*, 30 April 2007, p. 12.

amphetamine type substances (ATS),³⁷ fraud, identity crime and money laundering. They also appear to be involved in hydroponic cannabis growing.³⁸

2.27 Further, the Western Australia Police reported that the increased demand for crystal methylamphetamine in Australia is:

...being reflected in an increase in the number of attempted importations from Asian countries. Intelligence reports also lend support to the reputation of South East Asian syndicates based in WA being able to source high quality crystal methylamphetamine'.³⁹

Romanian organised crime groups

2.28 The submission from the Western Australia Police notes that European crime syndicates, commonly of Romanian origin, are involved to a significant level in drug trafficking activities, particularly high purity methylamphetamine. In particular, 'Romanian and Serbian crime syndicates remain prominent within WA and have strong links to international and interstate crime figures'.⁴⁰

2.29 The Queensland Crime and Misconduct Commission also commented upon the involvement of Romanian crime groups in drug trafficking; the commission observed that their activities appear to be extending to Melbourne and Perth and involve drugs other than ATS, notably cocaine.⁴¹

Practices and methods of organised crime in Australia

2.30 The ACC submission notes that, consistent with global trends, organised crime groups operating in Australia are adopting business practices and methodologies that enable them to adapt to changes in demand for illicit goods and services and, in some cases, influence the shape of the markets.⁴²

2.31 In evidence to the committee, Mr Alastair Milroy, Chief Executive Officer, Australian Crime Commission, noted:

Organised crime is a business. Some of the people who run them are just as good at it as people who run businesses in the private sector.⁴³

2.32 The business model and the use of legitimate business structures to commit organised crime were the subject of extensive comment during the inquiry.

37 This represents a shift away from heroin.

38 Commissioner Ken Moroney, NSW Police Force, *Committee Hansard*, 8 June 2007, p. 2.

39 *Submission 15*, p. 2.

40 *Submission 15*, p. 3.

41 *Submission 8*, p. 9.

42 *Submission 17*, p. 6.

43 *Committee Hansard*, 6 July 2007, p. 34.

Infiltration of legitimate business

2.33 Infiltration of legitimate business has always existed as an element of organised crime operations, primarily as a means to launder money and ultimately as a vehicle of movement into the legitimate economy.⁴⁴ Deputy Commissioner John Lawler, National Security, Australian Federal Police, told the committee that criminals might have a long term involvement with organised crime and, once they have accumulated sufficient wealth, either move into legitimate businesses or interweave their criminal activity with a legitimate business enterprise.⁴⁵ The 2005 report of the Corruption and Crime Commission of Western Australia makes a similar observation.⁴⁶

2.34 The committee notes that the combination of legitimate business with organised crime activity supports money laundering, which is critical to enabling criminals to use their profits. The committee was informed that there is a move by organised crime into industries such as transport, the security industry and, more recently, finance, money lending and telecommunications for the purpose of laundering the proceeds of their criminal activities. This pattern is found across all jurisdictions within Australia as well as in countries such as the UK, Canada and New Zealand.⁴⁷

2.35 The committee identified an increasing use of professional support to establish and maintain the business structures of organised crime groups. Recognisably commercial in nature, such arrangements involve 'delinquent professionals' such as IT practitioners, accountants and lawyers assisting organised crime groups.⁴⁸ The ACC argued:

[Such Assistance]...may be legitimate with the service provider unaware of the organised crime association, or collusive, where the service provider is a knowing participant in the criminal activity. Increasing complexity in the regulatory environment will continue to drive the demand for the acquisition of such professional services.⁴⁹

44 Mr Michael Monaghan, Deputy Commissioner, Australian Taxation Office, *Committee Hansard*, 5 July 2007, pp 29-30.

45 *Committee Hansard*, 5 July 2007, p. 67.

46 Corruption and Crime Commission of Western Australia, 'Report to the Joint Standing Committee on the Corruption and Crime Commission with regard to the commission's organised crime function and contempt powers', December 2005, p. 9.

47 Assistant Commissioner Tony Harrison, Crime Service, South Australia Police, *Committee Hansard*, 6 July 2007, p. 15.

48 Professor Rod Broadhurst, Private Capacity, *Committee Hansard*, 7 June 2007, pp 65-67.

49 Australian Crime Commission, *Submission 17*, p. 6.

2.36 A similar development was identified as occurring internationally. For example, in Hong Kong organised crime groups are project driven and operate in a networked environment, which allows the assembly of expertise as required.⁵⁰

2.37 Clearly, once organised crime groups or individuals become established within legitimate businesses it is far harder for law enforcement to investigate, detect, gather evidence and subsequently prosecute any illegal activities.⁵¹

Transnational crime

2.38 The role of globalisation in the expansion of serious and organised crime cannot be underestimated. The Attorney-General's Department noted that the same processes that support economic growth and diversification also provide opportunities for the participation of organised crime.⁵²

2.39 The Australian Federal Police observed that such opportunities can flourish in locations with poor governance, justice systems and social conditions. 'Such environments both mitigate the risks of operation for organised crime groups and provide ready access to potential members'.⁵³

2.40 In particular, the Queensland Police Service argued that political instability in the South Pacific region supports organised crime by providing offshore opportunities to produce and ship illegal drugs and precursor chemicals. Detective Chief Superintendent Barnett noted that 'Australia generally and Queensland specifically, due to its geographic proximity, loom as likely markets for both, based on the expanding demand for amphetamine type substances'.⁵⁴

2.41 The committee heard that organised crime developments in Asia will be 'pivotal' to defining trends in Australia.⁵⁵ Further, as modern organised crime becomes increasingly internet based, as discussed in the following chapter, their activities are effectively 'borderless' and will be increasingly difficult to police and address.⁵⁶

Links between organised crime and terrorism

2.42 While not central to this inquiry's terms of reference, terrorism's relationship to organised crime was canvassed. In particular, there is evidence that ideologically motivated groups are attempting to fund potential terrorist activities via partnerships with established organised crime groups. The Australian Federal Police submission

50 Professor Rod Broadhurst, Private Capacity, *Committee Hansard*, 7 June 2007, p. 64.

51 Assistant Commissioner Tony Harrison, Crime Service, South Australia Police, *Committee Hansard*, 6 July 2007, p. 15.

52 *Submission 21*, p.5.

53 *Submission 16*, p. 5.

54 *Committee Hansard*, 7 June 2007, p. 1.

55 Professor Rod Broadhurst, Private Capacity, *Committee Hansard*, 7 June 2007, p. 60.

56 Professor Rod Broadhurst, Private Capacity, *Committee Hansard*, 7 June 2007, p. 68.

notes that, recently, philosophical beliefs have provided another significant motive for organised criminal activity. In this instance, the economic and social effects are potentially dramatic. Such groups may rely on criminal connections that are more motivated by financial return to provide resources for terrorist activity.⁵⁷

2.43 The Attorney-General's Department submission links vulnerabilities to criminal activity with vulnerabilities to terrorist activity:

...many of the opportunities that may be exploited by organised criminal groups may also be exploited by terrorists. In 2002, the Council of Australian Governments (COAG) acknowledged this link in its Agreement on Terrorism and Multi-Jurisdictional Crime...The Agreement recognised that presumptions about terrorism that existed prior to 11 September 2001, in particular about the nature of its links with organised and multi-jurisdictional crime, were no longer valid...⁵⁸

2.44 Professor Leslie Holmes, Deputy Director of the Contemporary Europe Research Centre at the University of Melbourne, also identified links between terrorism and organised crime. In his analysis, organised crime can link-up with terrorism through 'so-called transmutation'. He continued:

Not a lot of people know that the triads...were originally political activists who then switched to more economic activity, if you like, after they had largely achieved their ends. Much more recently, the IRA in Ireland and ETA, the Basque terrorist group, have become what one American analyst has called 'fighters turned felons', not completely but that transmutation is occurring.⁵⁹

The ACC approach

2.45 Mr Milroy emphasised that the targeting of criminal organisations is aimed not at specific identities or groups but at any potential for the committing of serious and organised crime. This is in keeping with the ACC's awareness of the changes to organised crime group membership and structure, as discussed above, and their practices and methods.⁶⁰

Conclusion

2.46 The committee received substantial evidence about the nature of organised crime groups in Australia and their methods of operation. Serious and organised crime groups are dynamic and motivated by profit, and have developed highly adaptable organisational structures and modes of operation. The current trend towards greater transnational crime has provided new opportunities for organised crime groups within Australia and internationally.

57 *Submission 16*, p. 3.

58 *Submission 21*, p. 4.

59 *Committee Hansard*, 1 May 2007, p. 45.

60 *Committee Hansard*, 6 July 2007, p. 44.

2.47 While this chapter has described the characteristics of serious and organised criminal groups and how they operate, the following chapter examines the trends in their activities.

